

### COMPACT GOAL

The Compact aims to revitalize Malawi's power sector by upgrading electricity infrastructure and improving the performance of key institutions responsible for the electrical power sector. The program is intended to reduce outages and system losses, improve efficiency of hydropower generation, improve service delivery to electricity consumers, and create an enabling environment for private sector investment and expansion of electrification. The Compact is expected to reduce energy costs to enterprises and households and enhance productivity and employment opportunities in key economic sectors.



## COMPACT AT A GLANCE


Compact Signed	04-07-2011
Entry Into Force	09-20-2013
Compact End Date	09-20-2018
Compact Total	\$350,700,000
Amount Committed	\$12,566,871
Amount Expended	\$4,025,681
Estimated Program Beneficiaries	983,000
Estimated Increase in Household Income	\$567,200,000

**% OF TOTAL COMPACT**

73%	Infrastructure Development Project	\$257.1
7%	Power Sector Reform Project	\$24.2
8%	Environmental and Natural Resource Management Project	\$27.8
10%	Program Administration	\$34.6
2%	Monitoring and Evaluation	\$7.0

## BUDGET (USD MILLIONS)

■ Project Preparation      ■ Project Implementation

Infrastructure Development Project		PROJECT COST	TOTAL CONTRACT COMMITMENTS	TOTAL PROJECT EXPENDITURES <sup>1</sup>
		\$257,115,000	\$5,505,563	\$572,012
<p>This project will improve the availability, reliability, and quality of the power supply by increasing the throughput capacity and stability of the national electricity grid and increasing efficiency of hydropower generation through investments in infrastructure development.</p>				
<h3>Projected Long-Term Results</h3> <p>(Up to 20 years)</p>				
ESTIMATED BENEFICIARIES	ESTIMATED INCREASE IN HOUSEHOLD INCOME	PROJECTED RESULTS BY END OF COMPACT	PROGRESS TO DATE	PROJECT ACHIEVEMENTS
		<p>Increase the quantity of electricity billed to 1.8 million MWh; reduce outages and load shedding; reduce system losses to 17.5%; improve electricity quality; increase substation MVA capacity by 210 MVA; increase plant availability and MW capacity.</p>	<p>The Infrastructure Development Project's Consulting Engineer in charge of design and supervision began work in November 2013. Initial detailed design reports due January 2014 will identify critical path items and initial design options. A Request for Proposal for a Resettlement Advisory Consultant to develop Resettlement Action Plans has been advertised.</p>	

Power Sector Reform Project	PROJECT COST \$24,229,800	TOTAL CONTRACT COMMITMENTS \$2,242,417	TOTAL PROJECT EXPENDITURES <sup>†</sup> \$444,748
<p>This project will create an enabling environment for future expansion of the power sector by strengthening sector institutions and enhancing regulation and governance of the sector by rebuilding ESCOM into a financially strong, well-managed utility and developing a regulatory environment that supports public and private investment in generation capacity and expanded access.</p> <p><b>Projected Long-Term Results</b> (Up to 20 years)</p> <p>ESTIMATED BENEFICIARIES      ESTIMATED INCREASE IN HOUSEHOLD INCOME</p>	<p>YEAR 1      YEAR 2      YEAR 3      YEAR 4      YEAR 5</p> <p>ESCOM Turnaround</p> <p>Regulatory Strengthening</p> <p>PRESENT</p>		
	<p><b>PROJECTED RESULTS BY END OF COMPACT</b></p> <p>Enable ESCOM cost recovery and improved financial performance including 90% billing/collection efficiency, reduce days to respond to forced outages, and develop an independent regulatory environment and tariff framework that enables private investment.</p>	<p><b>PROGRESS TO DATE</b></p> <p>ESCOM, Malawi's electricity utility, has submitted a baseline electricity tariff application for the 2014-2017 period, which is under review by the Malawi Energy Regulatory Authority (MERA). MCA supported application with a Financial Model that more accurately calculates the full cost of electricity provision. High-level energy advisor to Ministry of Energy began work in December 2013. Additional procurements to support ESCOM and MERA underway.</p>	<p><b>PROJECT ACHIEVEMENTS</b></p>
Environmental and Natural Resource Management Project	PROJECT COST \$27,885,000	TOTAL CONTRACT COMMITMENTS \$1,448,841	TOTAL PROJECT EXPENDITURES <sup>†</sup> \$213,866
<p>This project will mitigate the growing problems of aquatic weed infestation and excessive sedimentation in the Shire River Basin to reduce the costly disruptions to Malawi's hydropower generation by investing in weed and sediment management, and implementing better environmental and natural resource management in upstream areas.</p> <p><b>Projected Long-Term Results</b> (Up to 20 years)</p> <p>ESTIMATED BENEFICIARIES      ESTIMATED INCREASE IN HOUSEHOLD INCOME</p>	<p>YEAR 1      YEAR 2      YEAR 3      YEAR 4      YEAR 5</p> <p>Weed &amp; Sedimentation Mngmt</p> <p>Environment &amp; Natural Resource</p> <p>Social &amp; Gender Integration</p> <p>PRESENT</p>		
	<p><b>PROJECTED RESULTS BY END OF COMPACT</b></p> <p>Contribute to fewer outages at hydropower plants by reducing weed infestation and siltation in the Shire River Basin through improved land management practices in targeted catchments, with a focus on conservation agriculture, reforestation and soil stabilization activities.</p>	<p><b>PROGRESS TO DATE</b></p> <p>A firm began work on a baseline assessment to identify activities to mitigate unsustainable land and resource use practices in the Middle Shire River Basin. The study will provide guidance on interventions to reduce soil erosion and related downstream power outages in the Shire River. MCA-Malawi is procuring a consultant to develop a small-grants facility to undertake natural resource management activities under the ENRM Project.</p>	<p><b>PROJECT ACHIEVEMENTS</b></p>

The Malawi Compact was rescope in July 2013 from its original program to account for cost increases due to inflation resulting from delays caused by the Compact's operational hold and suspension and to respond to requests for new infrastructure sub-projects from the Government of Malawi. In addition, at that time MCC revised the Compact structure to improve fiscal control and results monitoring and reporting by elevating two Compact Activities and one Sub-Activity to the Project level.

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<sup>†</sup>Expenditures are the sum of cash outlays and quarterly accruals for work completed but not yet paid or invoiced.